

Message Text

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C O R R E C T E D C O P Y TEXT (PARA 2.)

USADB

FOR NAC AGENCIES

EO 11652:NA
TAGS: EAID, EFIN, ADB, RP
SUBJECT: PROPOSED ADB LOAN - SECOND MANILA WATER SUPPLY
- PROJECT (PHILIPPINES)

SUMMARY: ADB MANAGEMENT IS PROPOSING A \$49.0 MILLION LOAN FROM ORDINARY CAPITAL RESOURCES FOR THE SECOND MANILA WATER SUPPLY PROJECT (PHILIPPINES). PROPOSED LOAN WOULD PROVIDE PART OF FOREIGN EXCHANGE NEEDED TO COVER INCREASES IN SIZE AND COST OF ORIGINAL MANILA WATER SUPPLY PROJECT (APPROVED AUGUST 1974). THE REMAINING FOREIGN EXCHANGE REQUIREMENTS ARE BEING MET LARGELY FROM WORLD BANK FINANCING. THE OBJECTIVES OF THE PROPOSED LOAN ARE 1) TO CONSTRUCT ADDITIONAL SUPPLY, TREATMENT AND DISTRIBUTION FACILITIES TO MOST EFFICIENTLY USE METROPOLITAN WATERWORKS AND SEWERAGE SYSTEMS (MWSS) EXISTING SUPPLY SOURCES (IT IS EXPECTED THAT POTABLE WATER OUTPUT WILL
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DOUBLE BY 1985.); 2) TO INSTALL IMPROVED AND ACCURATE METER SERVICE CONNECTORS, WHICH TOGETHER WITH MWSS ONGOING LEAKAGE PROGRAM, WILL REDUCE UNBILLED WATER FROM ITS PRESENT LEVEL OF 48 PERCENT TO AN ESTIMATED 25 PERCENT AFTER 1985; AND 3) TO PROVIDE MANAGEMENT AND TRAINING ASSISTANCE WHICH WILL ASSIST MWSS TO EFFICIENTLY OPERATE ITS EXPANDED WATER SUPPLY SYSTEM. THE GREATEST BENEFIT

OF THE PROJECT WILL ACCRUE TO THE 1.2 MILLION RESIDENTS FORMERLY WITHOUT WATER SERVICE WHO WILL BE SUPPLIED WATER EITHER THROUGH HOUSE CONNECTION OR ACCESS TO STANDPIPES. THE PROPOSED PROJECT WOULD ALSO PROVIDE APPROXIMATELY 300,000 MAN-MONTHS OF EMPLOYMENT DURING CONSTRUCTION. PROJECT APPEARS TECHNICALLY AND ECONOMICALLY FEASIBLE. USADB THEREFORE RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC R80-78 WITH ATTACHMENTS POUCHED ADDRESSEES AUGUST 16. LOAN SCHEDULED FOR BOARD CONSIDERATION SEPTEMBER 7.

2. THE FOREIGN EXCHANGE COMPONENTS OF ORIGINAL AND PROPOSED PROJECT ARE TO BE FUNDED BY ADB, IBRD AND A SMALL PART BY THE PHILIPPINE GOVT. ADB'S OVERALL CONTRIBUTION FOR ITS PORTION OF THE TOTAL PROJECT (ORIGINAL AND PROPOSED LOAN), AMOUNTS TO \$100.3 MILLION OF WHICH \$51.3 MILLION WAS COMMITTED IN 1974 AND \$49.0 MILLION IS CURRENTLY BEING PROPOSED. THE WORLD BANK HAS ALREADY APPROVED AN \$85 MILLION LOAN FOR THE SECOND MANILA WATER SUPPLY. THE ORIGINAL TOTAL COST OF THIS PROJECT WAS \$159.2 MILLION, IT IS NOW ESTIMATED AT \$394.1 MILLION WHILE THE FOREX COSTS HAVE INCREASED FROM \$72.5 MILLION TO \$185 MILLION. THE LOAN WOULD HAVE A TERM OF 25 YEARS INCLUDING A GRACE PERIOD OF FIVE YEARS WITH AN INTEREST LIMITED OFFICIAL USE

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RATE OF 7.7 PERCENT PER ANNUM. THE BORROWER AND EXECUTING AGENCY WOULD BE METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS). GUARANTOR WOULD BE REPUBLIC OF THE PHILIPPINES.

3. THE PHILIPPINES, WITH AN AVERAGE ANNUAL RAINFALL OF 3,000 M.M., HAS, IN GENERAL, SUFFICIENT WATER RESOURCES TO MEET FORESEEABLE AGRICULTURAL, INDUSTRIAL AND DOMESTIC CONSUMPTION REQUIREMENTS. PUBLIC INVESTMENT IN THE WATER SUPPLY SECTOR HAS, HOWEVER, BEEN LOW WITH THE RESULT THAT OUT OF A 1977 POPULATION OF 44.5 MILLION, ONLY ABOUT 17 MILLION PEOPLE OR 38 PERCENT, WERE SERVED THROUGH PUBLIC WATER SUPPLY SYSTEMS. IT IS ESTIMATED THAT A FURTHER 5 PERCENT OF THE POPULATION HAVE ACCESS TO SAFE, PRIVATE WATER SOURCES, WHICH ARE USUALLY DEEP WELLS, WHILE THE REMAINING 57 PERCENT OF THE POPULATION OBTAIN WATER FROM SOURCES SUCH AS SHALLOW WELLS, RAIN WATER CISTERNS, INDUSTRIAL OUTLETS, STREAMS, LAKES AND RIVERS, THE MAJORITY OF WHICH ARE OF DUBIOUS QUALITY.

4. OF THE 17 MILLION PEOPLE DIRECTLY SERVED IN 1977 BY PUBLIC WATER SYSTEMS, 3.1 MILLION WERE RESIDENTS OF MANILA

METROPOLITAN AREA (MMA) (EQUIVALENT TO 53 PERCENT OF THE TOTAL MMA POPULATION), 3.7 MILLION WERE IN OTHER URBAN CENTERS (EQUIVALENT TO 52 PERCENT OF THE AGGREGATE POPULATION IN THESE CENTERS), AND 10.2 MILLION WERE IN RURAL AREAS (EQUIVALENT TO 32 PERCENT OF THE RURAL POPULATION). IN ADDITION TO THE LEVEL OF SERVICE BEING LOW, THE QUALITY OF SERVICE IN MMA AND OTHER COMMUNITIES HAVING PIPED WATER SYSTEMS IS GENERALLY POOR AS INADEQUATE REPLACEMENT AND MAINTENANCE HAVE LED TO RATES OF LEAKAGE WHICH OFTEN EXCEED 50 PERCENT OF WATER PRODUCTION.

5. THE ORIGINAL PROGRAM FOR WHICH THE ADB EXTENDED THE EXISTING \$51.3 MILLION LOAN WAS BASED ON A FEASIBILITY STUDY PREPARED BY THE CONSULTING FIRM, METCALF AND EDDY. LIMITED OFFICIAL USE

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THE PROGRAM INVOLVED THE CONSTRUCTION OF FACILITIES THAT

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WOULD INCREASE THE WATER YIELD FROM THE CATCHMENT AREAS OF THE ANGAT AND IPO DAMS FROM 1,120 MEGALITERS PER DAY (MLD) TO 2,040 MLD. ON THE BASIS OF DEMAND PROJECTIONS,

THE ORIGINAL PROGRAM WAS EXPECTED TO MEET THE ESSENTIAL WATER REQUIREMENTS OF MMA THROUGH TO 1982. THE TOTAL COST OF THE ORIGINAL PROGRAM WAS ESTIMATED AT \$159.2 MILLION EQUIVALENT, WITH A FOREIGN EXCHANGE COMPONENT OF \$72.5 MILLION.

6. WHILE THE ORIGINAL PROGRAM, FROM A TECHNICAL STAND-POINT, HAD TO BE IMPLEMENTED AS A WHOLE, FINANCING WAS DIVIDED INTO TWO PARTS. PART 1, FOR WHICH THE BANK PROVIDED FOREIGN EXCHANGE FINANCING, CONSISTED OF THOSE COMPONENTS THAT WERE NOT DIVISIBLE (THE SUPPLY HEADWORKS, AQUEDUCTS, CONSULTANTS' SERVICES FOR REVIEW OF THE PROGRAM AND DETAILED ENGINEERING DESIGN), APPROXIMATELY ONE-HALF OF THE TREATMENT AND DISTRIBUTION COMPONENTS, AND CONSULTANTS' SERVICES FOR CONSTRUCTION SUPERVISION OF THE BANK FINANCED COMPONENTS. PART B, FOR WHICH MWSS WAS TO LIMITED OFFICIAL USE

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ARRANGE THE FOREIGN EXCHANGE FINANCING BY 1976, CONSISTED OF THE REMAINING TREATMENT AND DISTRIBUTION COMPONENTS AND RELATED CONSTRUCTION SUPERVISION. PART A WAS PLANNED FOR COMPLETION BY MID-1979; THE ENTIRE PROGRAM BY THE END OF 1979.

7. DURING THEIR REVIEW OF THE ORIGINAL COMPONENTS, CAMP, DRESSER & MCKEE (CDM) CONCLUDED THAT THE ORIGINAL DEMAND PROJECTIONS WERE SIGNIFICANTLY UNDER-ESTIMATED. THIS WAS DUE TO THE OVER-ESTIMATION IN THE ORIGINAL DEMAND CALCULATION OF THE PROPORTION OF THE POPULATION IN MMA THEN SERVED, WHICH RESULTED IN AN UNDER-ESTIMATION OF THE PORTION YET TO BE SERVED; AN UNDER-ESTIMATION OF LEAKAGE LOSSES; AND THE EXTRAPOLATION OF HISTORICAL CONSUMPTION TRENDS WHEN PAST DEMAND HAD BEEN SEVERELY RESTRICTED DUE TO INADEQUATE DISTRIBUTION FACILITIES. THE REVISED DEMAND PROJECTIONS PLACE 1982 DEMAND AT 2,452 MLD; A LEVEL SIGNIFICANTLY HIGHER THAN THE PROJECTION MADE IN 1974 OF 2,117 MLD.

8. MOREOVER, ON THE BASIS OF THE CONSULTANTS' DETAILED HYDROLOGICAL ANALYSIS, IT IS ESTIMATED THAT WITH FULL DEVELOPMENT OF THE ANGAT RESERVOIR SUPPLY SOURCE, UTILIZATION OF AVAILABLE WATER FROM THE WATERSHED OF THE IPO RIVER BETWEEN THE ANGAT AND IPO DAMS, PLUS THE YIELD FROM OTHER EXISTING SUPPLY SOURCES, THE MWSS SYSTEMS SURFACE YIELD WILL TOTAL 2,500 MLD. THIS AGGREGATE YIELD IS CONSIDERABLY HIGHER THAN THE 2,044 MLD, ESTIMATED IN THE 1974 APPRAISAL REPORT.

9. THESE FOREGOING FACTORS, TOGETHER WITH THE CONSULTANT' MORE DETAILED STUDIES OF THE CAPACITIES AND OPERATIONAL

PERFORMANCE OF EXISTING AND PROPOSED FACILITIES, UNDER-
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SCORED THE NEED FOR MODIFYING THE DESIGN OF SEVERAL
INDIVIDUAL COMPONENTS OF THE ORIGINAL PROGRAM AND THE
INCLUSION OF ADDITIONAL COMPONENTS.

10. THE OBJECTIVES OF THE REVISED PROGRAM ARE :(I) TO
CONSTRUCT ADDITIONAL SUPPLY, TREATMENT AND DISTRIBUTION
FACILITIES WHICH WILL UTILIZE TO THE MAXIMUM EXTENT
POSSIBLE THE COMBINED CAPACITY OF MWSS'S EXISTING SUPPLY
SOURCES. WATER PRODUCED AND DISTRIBUTED WILL INCREASE
FROM THE PRESENT AVERAGE OF 1,290 MLD TO 2,548 MLD IN
1985; (II) TO INSTALL IMPROVED AND ACCURATELY METERED
SERVICE CONNECTIONS WHICH, TOGETHER WITH MWSS'S ON-GOING
LEAKAGE DETECTION PROGRAM, WILL REDUCE UNBILLED WATER
FROM ITS PRESENT LEVEL OF ABOUT 48 PERCENT OF PRODUCTION
TO AN ESTIMATED 25 PERCENT AFTER 1985; AND (III) TO PRO-
VIDE MANAGEMENT AND TRAINING ASSISTANCE WHICH WILL
ASSIST MWSS TO OPERATE AND ADMINISTER EFFICIENTLY ITS
WATER SUPPLY SYSTEM. THE REVISED PROGRAM IS EXPECTED TO
MEET THE ESSENTIAL WATER REQUIREMENTS IN MMA TO MID-1985.
THE ORIGINAL PROGRAM WAS APPROVED ON THE BASIS THAT IT
WOULD MEET MANILA'S WATER DEMAND TO 1982.

11. IT IS PROPOSED THAT THE FOREIGN EXCHANGE COST OF
\$100.3 MILLION BE FINANCED UNDER THE CURRENT \$51.3 MILLION
LOAN AND A NEW LOAN OF \$49.0 MILLION. AN ANALYSIS OF
COST ESTIMATE REVEALS THAT OF THE ADDITIONAL \$49.0 MILLION
FOREIGN EXCHANGE REQUIREMENT: TECHNICAL CHANGES,
ASSOCIATED WITH THE ORIGINAL CONCEPT FOUND NECESSARY
DURING DETAILED DESIGN, ACCOUNT FOR 35 PERCENT; UNANTICI-
PATED PRICE ESCALATION INCLUDING DELAYS IN IMPLEMENTATION
ACCOUNTS FOR 12 PERCENT; NEW COMPONENTS ADDED UNDER THE
REVISED PROGRAM ACCOUNT FOR 15 PERCENT; MODIFIED COM-
PONENTS, PRINCIPALLY TO INCREASE THE SYSTEM'S CAPACITY
ACCOUNT FOR 29 PERCENT; AND THE NET SHIFT OF COSTS OF
COMPONENTS TRANSFERRED FROM ONE PART OF THE ORIGINAL
PROGRAM INTO ANOTHER ACCOUNT FOR 9 PERCENT.

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12. MWSS WAS CREATED IN 1971 UPON ABOLITION OF THE
NATIONAL WATERWORKS AND SEWERAGE AUTHORITY (NWSA), THE

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PUBLIC CORPORATION WHICH HAD, UP TO THAT TIME, BEEN RESPONSIBLE FOR WATER SUPPLY SYSTEMS THROUGHOUT THE COUNTRY. MWSS HAS PROVEN TO BE CONSIDERABLY MORE EFFICIENT THAN NWSA, AND, AS A CONSEQUENCE, THE ADMINISTRATION AND OPERATION OF THE MANILA WATER SUPPLY SYSTEM HAS STEADILY IMPROVED. FOR EXAMPLE, COLLECTION EFFICIENCY HAS RISEN FROM 7(BPERCENTN) IN 1971 TO 99 PERCENT IN 1977; UNBILLED WATER HAS BEEN REDUCED FROM 55.6 PERCENT IN 1971 TO 48.1 PERCENT IN 1977.

13. ACCORDING TO ADB MWSS'S FINANCIAL MANAGEMENT IS, IN GENERAL, EFFICIENT. THE DEFICIENCIES IN THE MWSS ACCOUNTING AND FINANCIAL PRACTICES, IDENTIFIED DURING THE 1974 APPRAISAL AND FOR WHICH SPECIFIC LOAN COVENANTS WERE PROVIDED UNDER THE EXISTING BANK LOAN, HAVE BEEN REMEDIATED. A SATISFACTORY CAPITAL BUDGET SYSTEM WAS INTRODUCED IN MID-1976 AND SUBSTANTIAL IMPROVEMENT HAS BEEN MADE IN DATA PROCESSING AND CONTROL WITH THE INTRODUCTION OF COMPUTERIZED SYSTEMS FOR WATER AND SEWERAGE ACCOUNTS, ACCOUNTS RECEIVABLE, PAYROLL AND PERSONNEL PERFORMANCE EVALUATION. ALL ACCOUNTS, INCLUDING SEPARATE ACCOUNTS FOR THE EXISTING BANK PROJECT, ARE NOW MAINTAINED SATISFACTORILY ON A COMMERCIAL ACCOUNTING

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SYSTEM. WELL PREPARED MONTHLY FINANCIAL AND OPERATIONAL

REPORTS AND QUARTERLY FINANCIAL STATEMENTS HAVE BEEN SUBMITTED REGULARLY FOR THE BANK'S REVIEW.

14. A CONSIDERABLE REDUCTION IN TOTAL ACCOUNTS RECEIVABLE IS REQUIRED IN ORDER TO ACHIEVE THE EXISTING LOAN COVENANT REQUIREMENT OF ACCOUNTS RECEIVABLE BEING NOT MORE THAN FOUR MONTHS OF SALES ACCOUNTS BY THE MIDDLE OF 1980. AS OF DECEMBER 1977 TOTAL ACCOUNTS RECEIVABLE STOOD AT PESOS 92.7 MILLION, REPRESENTING 8.1 MONTHS' SALE REVENUES, AGAINST WHICH MWSS HAS PROVIDED AN ALLOWANCE FOR DOUBTFUL ACCOUNTS OF ABOUT PESOS 78.6 MILLION. MWSS HAS AGREED THAT IT WILL: (I) WRITE OFF ITS OUTSTANDING BAD DEBTS DEEMED AS UNCOLLECTIBLE BY THE END OF 1979 (AS COMPARED TO THE EXISTING LOAN AGREEMENT DATA OF THE MIDDLE OF 1976) AND (II) TO MAINTAIN THE BALANCE OF ACCOUNTS RECEIVABLE NOT EXCEEDING A LEVEL OF FOUR MONTHS OF SALES REVENUES FROM THE BEGINNING OF 1980 (AS COMPARED TO THE EXISTING LOAN AGREEMENT DATE OF THE MIDDLE OF 1980).

15. THOUGH EXISTING BILLING AND COLLECTION PROCEDURES APPEAR BASICALLY SOUND, THERE IS A NEED: (I) TO EXAMINE THE PROCEDURES TO IDENTIFY ANY AREAS WHICH MAY REQUIRE IMMEDIATE STRENGTHENING; (II) TO ASSESS THE IMPACT OF THE ADDITIONAL SERVICE CONNECTIONS ON THESE PROCEDURES; AND (III) TO FORMULATE A LONG-TERM DEVELOPMENT PROGRAM FOR THESE ASPECTS OF MWSS'S OPERATIONS. THE FINANCIAL EXPERT INCLUDED IN THE TEAM OF CONSULTANTS FOR INSTITUTIONAL DEVELOPMENT WILL REVIEW THESE ASPECTS.

16. AFTER THE SUBSTANTIAL TARIFF INCREASE IN 1974, MWSS MOVED FROM ITS PREVIOUS MARGINAL OPERATING SURPLUS POSITION TO A SATISFACTORY PROFIT POSITION IN FY 1975. HOWEVER, LIMITED OFFICIAL USE

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DUE TO INCREASING OPERATING COSTS, MWSS ATTAINED A RATE OF RETURN ON THE BOOK VALUE OF NET FIXED ASSETS IN OPERATION OF ONLY 2.2 PERCENT IN 1977; A RATE WHICH WOULD DROP TO ABOUT 1 PERCENT IF THE ASSETS WERE REVALUED AT CURRENT PRICES. SUBSTANTIAL TARIFF REVISIONS ARE NEEDED, AND HAVE BEEN AGREED TO, ENABLING MWSS TO COMPLY WITH THE EXISTING BANK LOAN COVENANT WHICH REQUIRES MWSS TO ATTAIN A RATE OF RETURN OF NOT LESS THAN 8 PERCENT AFTER FY 1979 ON REALISTICALLY REVALUED ASSETS.

17. APPROXIMATELY 6.6 MILLION PEOPLE, EQUIVALENT TO 79 PERCENT OF THE SERVICE AREAS'S PROJECTED 1985 POPULATION, WILL BENEFIT DIRECTLY FROM THE REVISED PROGRAM EITHER THROUGH OBTAINING REGULAR ACCESS TO A NOT PREVIOUSLY AVAILABLE SOURCE OF POTABLE WATER OR THROUGH GAINING A MORE RELIABLE WATER SERVICE.

18. THE GREATEST BENEFIT WILL ACCRUE TO THE 1.2 MILLION PEOPLE WHO CURRENTLY FALL WITHIN THE CATEGORY OF THOSE RESIDENTS NOT HAVING ACCESS TO A REGULAR SOURCE OF POTABLE WATER. THE REVISED PROGRAM IS DESIGNED TO ELIMINATE THIS CATEGORY - A CATEGORY WHICH, SHOULD THE REVISED PROGRAM NOT BE IMPLEMENTED, IS LIKELY TO ENCOMPASS SOME 3.5 MILLION PEOPLE BY 1985. BY PROVIDING ADDITIONAL SUPPLY SOURCE CAPABILITY AND THE ASSOCIATED FACILITIES TO DISTRIBUTE THE WATER, THE REVISED PROGRAM WILL PERMIT AN INCREASE IN PER CAPITA CONSUMPTION - FROM THE CURRENT LEVEL OF 103 LITERS PER DAY, TO 154 LITERS PER DAY IN 1985.

19. PARTICULAR ATTENTION HAS BEEN PAID, IN FORMULATION OF THE REVISED PROGRAM, TO MEETING THE NEEDS OF THE URBAN POOR. AS THE MAJORITY OF THIS TARGET GROUP RESIDES IN THE BLIGHTED AND OTHER LOW-INCOME/HIGH DENSITY AREAS SCATTERED THROUGHOUT MMA, THE DISTRIBUTION SYSTEM HAS BEEN APPROPRIATELY DESIGNED TO REACH ALL THESE AREAS AND, WITH THE INCLUSION OF A HIGH DENSITY SECONDARY AND TERTIARY DISBURSED OFFICIAL USE

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BUTION SYSTEMS, TO SUPPLY THESE CONSUMERS DIRECTLY. MORE-OVER, THE SYSTEM HAS BEEN DESIGNED SO AS TO PROVIDE, AS A TEMPORARY MEASURE, LOW INCOME RESIDENTS EASIER ACCESS TO WATER THROUGH STANDPIPES. TO ENSURE THAT INSTALLATION OF DIRECT SERVICE CONNECTIONS IN LOW-INCOME HOUSEHOLDS WILL NOT PLACE AN EXCESSIVE FINANCIAL BURDEN ON THE CONSUMER, THE COST OF LAYING THE SERVICE CONNECTION UP TO THE POTENTIAL CONSUMER'S PROPERTY LINE WILL NOT BE RECOVERED DIRECTLY FROM THE NEW CONSUMER BUT WILL BE ABSORBED WITHIN THE MWSS'S GENERAL TARIFF; A SUB-CONNECTION TO A SECOND HOUSEHOLD WILL BE PERMITTED TO ENABLE CONSUMERS TO SPLIT THE MONTHLY SERVICE CHARGE; AND MWSS'S APPROVED NEW TARIFF INCREASE WILL REDUCE THE TARIFF FOR THE FIRST 15 CU M CONSUMED MONTHLY FROM PESOS 5.00 UNDER THE PREVIOUS SCHEDULE TO PESOS 4.50.

20. SUBSTANTIAL HEALTH BENEFITS ARE ALSO EXPECTED TO RESULT FROM THE REVISED PROGRAM THROUGH A REDUCTION IN THE INCIDENCE OF WATER BORNE DISEASES, SUCH AS GASTRO-ENTER-LIMITED OFFICIAL USE

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ITIS, TYPHOID, CHOLERA AND SKIN DISORDERS. IMPROVEMENT IN THE GENERAL HEALTH OF THE SERVICE AREA POPULATION THROUGH EXTENSION OF THE POTABLE WATER SERVICE WILL, ON AVERAGE, INCREASE AN INDIVIDUAL'S WORKING/EARNING CAPACITY, LOWER PERSONAL AND PUBLIC HEALTH EXPENDITURE AND INCREASE WORKERS' PRODUCTIVITY.

21. PROCUREMENT: UNDER THE BANK'S EXISTING LOAN, THE CONSULTING SERVICES CONTRACT COVERING THE PREPARATION OF THE DETAILED DESIGN AND CONTRACT DOCUMENTS, ASSISTANCE TO MWSS IN INVITING TENDERS AND EVALUATING BIDS, AND THE SUPERVISION OF THE CONSTRUCTION OF THOSE COMPONENTS FINANCED UNDER THE EXISTING LOAN, WAS AWARDED TO CAMP, DRESSER & MCKEE INTERNATIONAL INC. IN JULY 1975. MWSS WISHES TO RETAIN CDM TO SUPERVISE THE CONSTRUCTION OF THE REVISED PROGRAM. IN VIEW OF CDM'S PAST PERFORMANCE, WHICH HAS BEEN SATISFACTORY, AND IN THE INTEREST OF MAINTAINING CONTINUITY, RETENTION OF CDM'S SERVICES UNDER THE REVISED PROGRAM IS ACCEPTABLE.

22. THE FOLLOWING INFORMATION MIGHT BE OF INTEREST TO AMERICAN FIRMS: FROM FUNDS PROVIDED UNDER THE ORIGINAL PROJECT, A SEPARATE TEAM OF FIVE EXPERTS FOR INSTITUTIONAL DEVELOPMENT WILL BE ENGAGED FROM A SUITABLY EXPERIENCED FIRM OF CONSULTANTS TO CONDUCT A REVIEW OF THE ORGANIZATIONAL/MANAGERIAL IMPLICATIONS OF IMPLEMENTING THE REVISED PROGRAM AND OPERATING LARGER WATER AND SEWERAGE SYSTEMS.

THIS REVIEW WILL IDENTIFY THE WORKLOAD AND ASSOCIATED STAFF NEEDED TO OPERATE AND MAINTAIN THE EXPANDED MWSS FACILITIES AND TO ENSURE EFFECTIVE BILLING AND COLLECTION. THE TEAM WILL CONSIST OF: (I) A COORDINATOR TO THE MWSS GENERAL MANAGER FOR A TOTAL PERIOD OF 18 MONTHS, WHO WILL SUPERVISE THE WORK OF THE OTHER ORGANIZATIONS/OPERATIONAL LIMITED OFFICIAL USE

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EXPERTS AND ASSIST THE GENERAL MANAGER IN COORDINATING THE REQUIRED EXPANSION OF MWSS OPERATIONS ARISING OUT OF THE REVISED PROGRAM; (II) PROBABLY TWO MANAGEMENT CONSULTANTS, ONE AN EXPERT IN RELEVANT ORGANIZATIONAL AND MANAGEMENT ASPECTS AND THE OTHER A FINANCIAL EXPERT, FOR A TOTAL PERIOD OF 18 MONTHS TO REVIEW AND RECOMMEND CHANGES IN THE PRESENT ORGANIZATION AND METERING AND BILLING ASPECTS OF MWSS OPERATIONS AND TO PREPARE A LONG-TERM STAFF DEVELOPMENT PROGRAM; (III) AN EXPERT IN THE MAINTENANCE OF PUBLIC UTILITY MECHANICAL AND ELECTRICAL EQUIPMENT FOR NINE MONTHS WHO WILL PREPARE AND SUPERVISE THE INTRODUCTION OF A PREVENTIVE MAINTENANCE PROGRAM; AND (IV) A LEAKAGE/WASTAGE DETECTION EXPERT WITH EXPERIENCE IN THE OPERATION OF LARGE DISTRIBUTION SYSTEMS FOR SIX MONTHS WHO WILL REVIEW MWSS'S EXISTING LEAKAGE DETECTION PROGRAM AND RECOMMEND CHANGES AS NECESSARY, AND PREPARE A SCHEDULE OF VALVE OPERATIONS SO THAT WATER CAN BE DIVERTED INTO ANY AREA AFFECTED BY A FIRE. BASED ON THE TEAM'S PROPOSALS, A COMPREHENSIVE STAFFING PLAN WILL BE PREPARED BY MWSS BY 1 SEPTEMBER 1979 AND IMPLEMENTED IN CONSULTATION WITH THE BANK. IN ADDITION AN EXPERT WILL BE PROVIDED FOR 12 MONTHS TO PLAN AND COORDINATE THE WORK OF THE MWSS TASK FORCE WHICH HAS BEEN ESTABLISHED TO ENSURE THAT INSTALLATION OF THE 510,000 SERVICE CONNECTIONS IS CARRIED OUT EXPEDITIOUSLY. ALL CONSULTANTS RECRUITED UNDER THE BANK'S PROJECT WILL BE ENGAGED IN ACCORDANCE WITH THE GUIDELINES FOR USES OF CONSULTANTS.

23. PROCUREMENT OF ALL EQUIPMENT, MATERIALS AND CIVIL WORKS FINANCED BY THE BANK WILL BE IN ACCORDANCE WITH THE BANK'S GUIDELINES FOR PROCUREMENT. CIVIL WORKS CONTRACTS EQUIVALENT TO LESS THAN \$200,000 AND SUPPLY CONTRACTS EQUIVALENT TO LESS THAN \$100,000 WILL BE AWARDED ON THE BASIS OF INTERNATIONAL SHOPPING. ITEMS TO BE PROVIDED WILL INCLUDE: CIVIL WORKS AND PLANT AND EQUIPMENT FOR LIMITED OFFICIAL USE

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TREATMENT WORKS, \$27,380,000; WATER METERS, FIRE HYDRANTS
AND FITTINGS, \$2,700,000; MISCELLANEOUS EQUIPMENT,

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\$8,900,000; AND CONSULTING SERVICES WHICH WILL BE FUNDED
UNDER ORIGINAL LOAN.

24. USADB COMMENT: FIRST HAND USADB INFORMATION SUPPORTS
ADB STATEMENTS ABOUT QUALITY AND AVAILABILITY OF POTABLE
WATER TO MANY MANILA RESIDENTS. UNDER PROPOSED LOAN
BENEFITS TO POOR ARE ACTUALLY MORE STRIKING THAN OUTLINED
IN BANK'S APPRAISAL. USADB STAFF HAD OPPORTUNITY TO VISIT
IBRD'S TONDO FORESHORE PROJECT WITH MEMBERS OF HAC STAFF.
TONDO AREA IS SQUATTER SETTLEMENT OF 180,000 PEOPLE WITH
LITTLE ACCESS TO POTABLE WATER. ACCORDING TO PHILIPPINE
GOVT OFFICIALS, TONDO RESIDENTS PAY VENDORS ABOUT 28 CENTS
PER DAY FOR WATER WHICH IS HIGH COMPARED TO THE MINIMUM
DAILY WAGE WHICH IS APPROXIMATELY \$1.50. THE TONDO AREA
IS ONE OF THE SITES THAT WILL BE SUPPLIED WATER UNDER THE
PROJECT. THE PHILIPPINE PROJECT MANAGER ESTIMATED THAT
CONNECTIONS TO THE MWSS SYSTEM WOULD REDUCE WATER COSTS TO
RESIDENTS BY APPROXIMATELY 70-80 PERCENT. THE MAJOR
WEAKNESS OF THE ORIGINAL LOAN WAS THE EXECUTING AGENCY
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PAGE 02 MANILA 15065 05 OF 05 281117Z

WHICH, AT THE TIME OF LOAN APPROVAL, HAD JUST BEEN CREATED AND WAS POORLY ORGANIZED. BECAUSE OF HEATED BOARD DISCUSSION AT TIME OF CONSIDERATION OF ORIGINAL LOAN REGARDING THE VIABILITY OF THE EXECUTING AGENCY, ADB HAS CAREFULLY MONITORED PROGRESS OF MWSS. ADB STAFF STATE THAT MWSS IS NOW A MUCH IMPROVED ORGANIZATION AND SHOULD NOT HAVE DIFFICULTY IN IMPLEMENTING THE PROPOSED LOAN. PROJECT APPEARS ECONOMICALLY AND TECHNICALLY FEASIBLE, THEREFORE USADB RECOMMENDS FAVORABLE NAC ACTION.

25. REQUEST AMEMBASSY MANILA COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED 3 JULY 1972. EDMOND

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WATER, WATER SUPPLY SYSTEM, MANAGEMENT, LOANS, PROGRAMS (PROJECTS), DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MANILA15065
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780354-0600, D780350-1211
Format: TEL
From: MANILA USADB
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780818/aaaaaoqm.tel
Line Count: 618
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1e1af25a-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1603764
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOAN - SECOND MANILA WATER SUPPLY - PROJECT (PHILIPPINES) SUMMARY: ADB MANAGEMENT IS PROPOSING A \$49.0 MILLI
TAGS: EAID, EFIN, RP, ADB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1e1af25a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014